

TISCO Bank Public Company Limited
Report and financial statements
31 December 2016

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

Opinion

I have audited the accompanying financial statements of TISCO Bank Public Company Limited (the Bank), which comprise the statement of financial position as at 31 December 2016, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The engagement partner on the audit resulting in this independent auditor's report is Miss Somjai Khunapasut.

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 9 February 2017

TISCO Bank Public Company Limited

Statement of financial position

As at 31 December 2016

(Unit: Thousand Baht)

	Note	2016	2015
Assets			
Cash		1,147,866	1,100,349
Interbank and money market items - net	3.1	37,061,867	29,662,703
Investments - net	3.3, 3.6	5,552,994	7,185,422
Loans to customers and accrued interest receivables	3.4, 3.6		
Loans to customers		240,579,109	254,617,453
Accrued interest receivables		484,024	502,279
Total loans to customers and accrued interest receivables		241,063,133	255,119,732
Less: Deferred revenue		(19,084,912)	(20,351,171)
Less: Allowance for doubtful accounts	3.5	(7,490,786)	(5,570,490)
Less: Allowance for loss on debt restructuring	3.5	(9,748)	-
Loans to customers and accrued interest receivables - net		214,477,687	229,198,071
Properties foreclosed - net	3.6, 3.7	6,739	44,346
Investment properties - net	3.8	31,363	31,363
Premises and equipment - net	3.9	668,641	713,642
Intangible assets - net	3.10	359,083	279,091
Deferred tax assets	3.29	218,806	11,474
Other assets	3.11	1,216,780	1,573,698
Total assets		260,741,826	269,800,159

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited**Statement of financial position (continued)****As at 31 December 2016**

(Unit: Thousand Baht)

	Note	2016	2015
Liabilities and equity			
Liabilities			
Deposits	3.12	155,950,816	159,046,427
Interbank and money market items - net	3.13	4,970,868	9,963,505
Liabilities payable on demand		180,242	356,335
Derivatives liabilities	3.2	34,118	41,898
Debts issued and borrowings	3.14	64,398,919	67,618,919
Provision for long-term employee benefits	3.15	272,390	205,542
Accrued interest payable		734,762	867,126
Income tax payable		446,942	228,591
Dividend payable		2,027,449	1,105,881
Other liabilities	3.16	4,281,352	4,551,186
Total liabilities		233,297,858	243,985,410

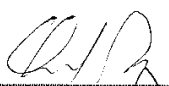
The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2016

(Unit: Thousand Baht)

	Note	2016	2015
Equity			
Share capital			
Registered			
104 preference shares of Baht 10 each		1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each		1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Share premium on ordinary shares		2,543,024	2,543,024
Other components of equity		226,295	242,398
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		14,474,972	12,829,650
Total equity		<u>27,443,968</u>	<u>25,814,749</u>
Total liabilities and equity		<u>260,741,826</u>	<u>269,800,159</u>

The accompanying notes are an integral part of the financial statements.



Mrs. Oranuch Apisaksirikul
 (Chairperson of the Executive Board)



TISCO

ธนาคารทีเอสซี จำกัด (มหาชน)
 TISCO Bank Public Company Limited



TISCO Bank Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2016

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2016	2015
Interest income	3.21	15,194,498	16,004,303
Interest expenses	3.22	(4,958,671)	(6,564,753)
Net interest income		10,235,827	9,439,550
Fee and service income		3,139,462	3,133,395
Fee and service expenses		(96,148)	(65,389)
Net fee and service income	3.23	3,043,314	3,068,006
Net gains (losses) on trading and foreign exchange transactions	3.24	(2,538)	14,366
Net gains on investments	3.25	11,878	24,075
Penalty fee income from loans		340,421	432,059
Income from business promotion relating to the hire purchase business		273,903	348,001
Other operating income	3.27	168,406	156,740
Total operating income		14,071,211	13,482,797
Expenses from business promotion relating to the hire purchase business		302,924	396,303
Total net operating income		13,768,287	13,086,494
Operating expenses			
Employee's expenses		2,276,592	1,764,702
Premises and equipment expenses		768,329	760,766
Taxes and duties		200,025	204,007
Intercompany supporting fee expenses	3.33	1,326,147	1,083,752
Other operating expenses	3.28	835,311	772,936
Total operating expenses		5,406,404	4,586,163
Bad debt, doubtful accounts and impairment losses	3.26	3,740,214	4,869,674
Profit before income tax expenses		4,621,669	3,630,657
Income tax expenses	3.29	934,112	716,351
Profit for the year		3,687,557	2,914,306

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited

Statement of comprehensive income (continued)

For the year ended 31 December 2016

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	2016	2015
Other comprehensive income	3.30		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Losses on change in value of available-for-sale investments	3.19	(16,721)	(2,305)
Income tax effects	3.29, 3.31	3,344	461
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(13,377)	(1,844)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gains (losses)		(21,890)	5,504
Income tax effects	3.29, 3.31	4,378	(1,100)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(17,512)	4,404
Other comprehensive income for the year		(30,889)	2,560
Total comprehensive income for the year		3,656,668	2,916,866
Earnings per share			
Basic earnings per share	3.32	4.00	3.16

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited**Cash flow statement****For the year ended 31 December 2016**

	(Unit: Thousand Baht)	
	2016	2015
Cash flows from operating activities		
Profit before income tax expenses	4,621,669	3,630,657
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities		
Depreciation and amortisation	107,014	85,354
Bad debt and doubtful accounts	5,785,159	6,596,263
Allowance for impairment of investments (reversal)	4,420	(822)
Allowance for impairment of property foreclosed	11,128	1
Gains on disposal of investments in securities	(16,966)	(26,437)
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	(7,780)	6,387
Gains on disposal of equipment	(4,463)	(1,251)
Losses on written-off of equipment	323	2,476
Gains on disposal of properties foreclosed	(70,256)	(48,107)
Employee benefit expenses	53,094	47,928
Increase in accrued income	(7,170)	(2,000)
Increase (decrease) in accrued expenses	210,171	(183,619)
Net interest income	(10,235,827)	(9,439,550)
Dividend income	(65,825)	(78,529)
Cash received on interest income	15,408,762	16,201,645
Cash paid on interest expenses	(4,086,264)	(5,647,716)
Cash received on dividend income	65,825	78,529
Cash paid on income tax expenses	(915,371)	(894,901)
Profit from operating activities before changes in operating assets and liabilities	10,857,643	10,326,308
Operating assets (increase) decrease		
Interbank and money market items	(7,399,164)	7,189,960
Loans to customers	6,526,563	13,678,578
Property foreclosed	2,081,318	2,473,522
Other assets	338,585	(423,262)

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited**Cash flow statement (continued)**

For the year ended 31 December 2016

(Unit: Thousand Baht)

	2016	2015
Operating liabilities increase (decrease)		
Deposits	(3,095,611)	(47,344,880)
Interbank and money market items	(4,992,636)	(388,879)
Liabilities payable on demand	(176,093)	(43,582)
Short-term debts issued and borrowings	(19,400,000)	(5,797,900)
Provision for long-term employee benefits	(8,136)	(13,668)
Other liabilities	(1,249,459)	(338,416)
Net cash flows used in operating activities	(16,516,990)	(20,682,219)
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(7,341,205)	(17,201,604)
Cash received from disposal of investment in securities held for investment	8,969,458	23,350,020
Cash paid for purchase of equipment	(49,504)	(53,355)
Cash paid for purchase of intangible assets	(92,857)	(67,476)
Cash received from disposal of equipment	4,496	1,251
Net cash flows from investing activities	1,490,388	6,028,836
Cash flows from financing activities		
Cash received from issuance of long-term debentures	16,180,000	17,680,000
Cash paid for redemption of long-term debentures	-	(2,000,000)
Dividend paid	(1,105,881)	(1,105,881)
Net cash flows from financing activities	15,074,119	14,574,119
Net increase (decrease) in cash	47,517	(79,264)
Cash at beginning of the year	1,100,349	1,179,613
Cash at end of the year	1,147,866	1,100,349
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The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited

Statement of changes in equity

For the year ended 31 December 2016

(Unit: Thousand Baht)

Note	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity			Retained earnings		Total
	Preference shares	Ordinary shares		value of available-for-sale investments	Surplus on revaluation of assets	Total other components of equity	Appropriated	Unappropriated	
Balance as at 1 January 2015	1	9,215,676	2,543,024	32,601	214,393	246,994	984,000	11,014,069	24,003,764
Dividend paid	4	-	-	-	-	-	-	(1,105,881)	(1,105,881)
Profit for the year		-	-	-	-	-	-	2,914,306	2,914,306
Other comprehensive income for the year		-	-	(1,844)	-	(1,844)	-	4,404	2,560
Total comprehensive income for the year		-	-	(1,844)	-	(1,844)	-	2,918,710	2,916,866
Transfer surplus on revaluation of assets to retained earnings		-	-	-	(2,752)	(2,752)	-	2,752	-
Balance as at 31 December 2015	1	9,215,676	2,543,024	30,757	211,641	242,398	984,000	12,829,650	25,814,749
Balance as at 1 January 2016	1	9,215,676	2,543,024	30,757	211,641	242,398	984,000	12,829,650	25,814,749
Dividend paid	4	-	-	-	-	-	-	(2,027,449)	(2,027,449)
Profit for the year		-	-	-	-	-	-	3,687,557	3,687,557
Other comprehensive income for the year		-	-	(13,377)	-	(13,377)	-	(17,512)	(30,889)
Total comprehensive income for the year		-	-	(13,377)	-	(13,377)	-	3,670,045	3,656,668
Transfer surplus on revaluation of assets to retained earnings		-	-	-	(2,726)	(2,726)	-	2,726	-
Balance as at 31 December 2016	1	9,215,676	2,543,024	17,380	208,915	226,295	984,000	14,474,972	27,443,968

The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited

Notes to financial statements

For the year ended 31 December 2016

1. Basis of preparation and presentation of financial statements and significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and the regulation of the Bank of Thailand (“BOT”) and their presentation has been made in compliance with the Bank of Thailand’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

1.2 New financial reporting standards

a) Financial reporting standards that became effective in the current year

During the year, the Bank has adopted the revised (revised 2015) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements.

b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Bank believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

1.3 Change in accounting estimate used in recording allowance for doubtful accounts

During the first quarter of the year 2016, the Bank changed an accounting estimate used in recording allowance for doubtful accounts for loan against auto license receivables, as follows:

The Bank changed to setting aside allowance for doubtful accounts for loan against auto license receivables using a collective approach, based on historical loss and behavioral grading of the loan against auto license receivables, rather than rates of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables for loans classified as pass and special mention, respectively, and at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the year of collateral disposal being set with reference to BOT's Notifications, for non-performing loans that are classified as sub-standard, doubtful and doubtful of loss.

Such allowances are set aside in accordance with the BOT's Notifications issued on 10 June 2016.

The effect of this change in accounting estimate used in recording allowance for doubtful accounts was to decrease the outstanding balance of allowance for doubtful accounts for loans against auto license receivables as at 31 December 2016 by Baht 220 million. However, the Bank did not reverse the decrease in allowance for doubtful accounts to revenue and instead retained the allowance as excess reserves.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase, finance lease and loan against auto license income are recognised over the installment period, using the effective interest rate.

The Bank has policies for corporate loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank to cease accruing income. For other loan accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and after that interest will be recognised as income on a cash basis.

The accounts will be reinstated to an accrual basis when the overdue amounts are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred income and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment in securities is recognised as income on an accrual basis. Dividends on investment in securities are recognised as income when the right to receive the dividends is established.

c) Gains (losses) on trading in securities and derivatives

Gains (losses) on trading in securities and derivatives are recognised as income/ expenses on the transaction dates.

d) Fee and service income

Fee and service income are recognised as income on an accrual basis.

1.4.2 Expenses recognition

a) Interest expenses

Interest expenses are charged to expenses on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

b) Commissions and direct expenses of the hire purchase business

The Bank records the initial commissions and direct expenses arising in respect of hire purchase contracts using the effective interest rate method, and deducts them from deferred revenue over the installment period.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.4.3 Securities purchased under resale agreements according to private repurchase transactions

The Bank has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the statements of financial position and the securities purchased are used as collateral.

Under securities purchased under resale agreements according to private repurchase transactions, the Bank obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest rate method, and are presented as interest income.

1.4.4 Investments

- a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) The Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- f) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- g) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and other investments are recognised in profit or loss.
- h) The weighted average method is used for computation of the cost of investments.
- i) In the event the Bank reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.
- j) Purchases and sales of investments are recorded on settlement date.

1.4.5 Investments in receivable purchased or transferred in

Investments in receivable purchased or transferred in, which are classified as held-to-maturity securities, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in profit or loss.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customers and presented at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of the receivable as at the transfer date or the date of restructuring. Allowance for doubtful debt is based on the same Bank of Thailand's guideline as allowance for loans to customers.

Since 1 January 2013, investments in receivable purchased or transferred in are recorded as loans to customers in statement of financial position at the fair value of consideration given in exchange, plus direct costs. Subsequent to initial recognition, these investments in receivable are valued at balances on the same basis as loans to customers

1.4.6 Loans to customers

Loans to customers are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred revenue/discounts on loans to customers are deducted from loans to customers.

Hire purchase and finance lease receivables are stated at outstanding balance, net of deferred revenue. Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of hire purchase contracts and advances received from finance lease receivables.

1.4.7 Allowance for doubtful accounts and loss on debt restructuring

- a) The Bank provides allowance for doubtful accounts and loss on debt restructuring in accordance with the Notifications of the Bank of Thailand ("BOT") and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

For all loans to customers classified as pass and special mention, except for hire purchase receivables and loan against auto license receivables that are classified as pass and special mention, the Bank records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables, respectively.

For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, except for non-performing hire purchase receivables and loan against auto license receivables, the Bank records allowance for doubtful accounts at a rate 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications.

For hire purchase receivables and loan against auto license receivables that are classified as pass, special mention and non-performing loans, the Bank uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables and loan against auto license receivables.

The Bank has already set provision for all loans to customers in accordance with the BOT's Notifications issued on 10 June 2016.

- b) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

1.4.8 Troubled debt restructuring

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". The Bank records the assets or equities transferred to the Bank for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash inflows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank records differences between the fair value of receivables and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.4.9 Properties foreclosed

Properties foreclosed represents assets transferred in respect of receivables on which the debtors have defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transfer date, not exceeding the legally claimable amount of outstanding debt) or net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The Bank is required to record the additional general reserve for declining in value of properties foreclosed in accordance with the notifications of the Bank of Thailand and the management's estimates.

The Bank recognises loss on impairment in profit or loss. Gains or losses from disposal of properties foreclosed are recognised upon disposal.

1.4.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the net disposal proceed and the carrying amount of the asset is recognised in profit or loss in the year when the asset is derecognised (if any).

1.4.11 Premises and equipment/Depreciation

Land is stated at cost. Office condominiums and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Office condominiums are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Bank's assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expenses.
- When an asset's carrying amount is decreased as a result of the revaluation of the Bank's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

The surplus on revaluation of assets is amortised to retained earnings on a straight-line basis over the remaining life of the related assets. The revaluation surplus which is transferred to retained earnings is the difference between the depreciation calculated on book value of the revalued assets and the depreciation calculated on original cost of the assets. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

Depreciation of office condominiums and equipment is calculated by reference to their costs or fair values on the straight-line basis (except for the depreciation of computer and communications equipment, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings and office condominiums	-	20 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipment	-	3, 5 years
Motor vehicles	-	5, 6 years

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is included in determining income.

No depreciation is provided on land and assets under installation.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

1.4.12 Intangible assets

The Bank initially recognises intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Bank amortises intangible assets with finite lives on a systematic basis over the economic useful life and tests for impairment whenever there is an indication that the intangible assets may be impaired. The Bank reviews the amortisation year and the amortisation method of such intangible assets at least at each financial year end. The amortisation expenses is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Bank amortised over the following estimated useful lives:

- | | |
|---|---|
| The license agreements with specified number of years of usage | - according to the year of license agreement by the straight-line basis |
| The license agreements with no specified number of years of usage | - 5 years by the straight-line basis |
| No license agreements | - 3 years by the sum-of-the-year-digits method |

1.4.13 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future years when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

The Bank recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that the Bank will generate future taxable profits that will be available against which such deductible deferred tax assets can be utilised. The Bank recognises deferred tax liabilities for all taxable temporary differences.

The Bank records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At the end of each reporting period, the Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.4.14 Impairment of assets

The Bank assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss. However in cases where assets was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

1.4.15 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.4.16 Foreign currencies

The financial statements are presented in Baht, which is also the Bank's functional currency.

Transactions in foreign currencies are translated into Baht at exchange rates ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of each reporting period.

Gains and losses on exchange are included in determining income.

1.4.17 Employee benefits

Short-term employee benefits

The Bank records salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expenses of the Bank is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Bank records this expenses and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting period and any increase or decrease in the expenses according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Bank treats these severance payment obligations as a defined benefit plan. In addition, the Bank provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Bank based on actuarial techniques.

Actuarial gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

1.4.18 Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.4.19 Derivatives and hedge accounting

The recording of derivatives and hedge accounting is based on the principles for recording derivatives and hedge accounting under IAS 39 "Financial Instruments: Recognition and Measurement".

The Bank records derivatives held for trading under fair value method. The Bank records gains (losses) from changes in fair value of derivatives in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

1.4.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Bank applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Bank measures fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities.

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly.

Level 3 - Use of unobservable inputs such as estimates of future cash flows,

At the end of each reporting period, the Bank determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

1.4.21 Financial instruments

a) Financial risk management

The Bank's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), liabilities payable on demand, derivatives liabilities and debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.37 to the financial statements.

b) Fair value of financial instruments

In determining the fair value of financial instruments, the estimated fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration of greater than one year, fair value is determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using the rate used for financial instruments with similar features.

The methods and assumptions used by the Bank in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the statement of financial position approximate their fair value.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or comparing with similar companies when no market price is available.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.

- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Bank had considered to counterparty credit risk when determining the fair value of derivatives.

1.4.22 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4.23 Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Allowance for doubtful accounts for loans to customers

Allowances for loan losses are intended to adjust the value of loans to customers for probable credit losses. The management uses judgement to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, consideration of the probability of defaults, statistical modeling and estimates, taking into account change in the value of collateral and current economic conditions, in compliance with the principles stipulated by the Bank of Thailand. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk of both the Bank and the counterparty, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

Impairment of investments

The Bank treats available-for-sale securities and general investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

Investment properties

The Bank presents investment properties at the fair value estimated by an independent appraiser, and recognises changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 3.8.

Premises and equipment/Depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of the premises and equipment and to review estimated useful lives and residual values when there are any changes.

The Bank measures office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the income approach. The valuation involves certain assumptions and estimates as described in Note 3.9.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefits plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, and staff turnover rate.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

The Bank has contingent liabilities as a result of litigation. The Bank's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of the reporting period.

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2016, the Bank has 57 branches in Thailand. (31 December 2015: the Bank has 60 branches in Thailand).

2.2 Share capital

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Bank pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Bank does not declare dividend payment to the ordinary shareholders, the Bank may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Bank has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

2.3 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

2.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Bank's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

2.5 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Bank, whether directly or indirectly, or which are under common control with the Bank. They also include associated companies and individuals or enterprises which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors and officers with authority in the planning and direction of the Bank's operations.

The Bank has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Bank and those related parties, which are reference to the terms and price as charged to other customers.

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2016			2015		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,441,296	440,000	1,881,296	1,588,310	-	1,588,310
Commercial banks	125,317	15,001,000	15,126,317	267,731	17,501,000	17,768,731
Specialised Financial Institutions	518	19,750,000	19,750,518	112	10,000,000	10,000,112
Other financial institutions	-	300,000	300,000	-	300,000	300,000
Total	1,567,131	35,491,000	37,058,131	1,856,153	27,801,000	29,657,153
Add: Accrued interest	-	6,736	6,736	43	8,507	8,550
Less: Allowance for doubtful accounts	-	(3,000)	(3,000)	-	(3,000)	(3,000)
Total domestic	1,567,131	35,494,736	37,061,867	1,856,196	27,806,507	29,662,703

The Bank entered into securities purchase under resale agreements according to private repurchased transactions. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Million Baht)

Securities purchased under resale agreements
according to private repurchase transactions
as at 31 December

	2016	2015
Commercial banks	15,000	17,500
Specialised Financial Institutions	19,750	10,000

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

Fair value of securities received as collateral
as at 31 December

	2016	2015
Commercial banks	15,157	17,690
Specialised Financial Institutions	19,958	10,106

3.2 Derivatives

The Bank entered into interest rate swap agreements to manage the risk associated with its loans to customers as follows:

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2016			2015		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Interest rate	-	34,118	1,200,000	-	41,898	1,200,000
Total	-	34,118	1,200,000	-	41,898	1,200,000

All counterparties of these derivative transactions are financial institutions.

3.3 Investments

3.3.1 Classified by type of investment

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Available-for-sale investments - fair value		
Government and state enterprise securities	3,835,912	5,352,523
Private sector debt securities	870,470	769,376
Foreign sector debt securities	414,163	628,811
Domestic marketable equity securities	8,000	-
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	5,127,085	6,749,250
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	13,559	14,402
Less: Allowance for impairment	(13,543)	(14,211)
Total held-to-maturity debt securities	16	191
General investments - cost		
Domestic non-marketable equity securities	478,303	483,303
Less: Allowance for impairment	(52,410)	(47,322)
Total general investments	425,893	435,981
Investments - net	5,552,994	7,185,422

3.3.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	As at 31 December							
	2016				2015			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	3,834	-	2	3,836	4,605	747	-	5,352
Private sector debt securities	182	1,102	-	1,284	107	1,291	-	1,398
Total	4,016	1,102	2	5,120	4,712	2,038	-	6,750
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,015	1,102	2	5,119	4,711	2,038	-	6,749
Held-to-maturity debt securities								
Investment in receivables	14	-	-	14	14	-	-	14
Less: Allowance for impairment	(14)	-	-	(14)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	4,015	1,102	2	5,119	4,711	2,038	-	6,749

3.3.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at 31 December		Type of restrictions
	2016	2015	
Government debt securities	2	2	Pledged for electricity usage

3.3.4 Investments in companies with weak financial positions and poor operating results

(Unit: Thousand Baht)

	As at 31 December 2016		
	Cost	Fair value	Allowance for changes in value
	Companies having problems with debt repayment or in default	7,060	-

(Unit: Thousand Baht)

	As at 31 December 2015		
	Cost	Fair value	Allowance for changes in value
	Companies having problems with debt repayment or in default	7,060	-

3.3.5 Investments in which the Bank holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	As at 31 December					
	2016			2015		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid Amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Juki (Thailand) Co., Ltd. (Formerly known as "Shin Thai Enterprises Co., Ltd.")	331	-	10	5,707	-	10
PDTL Trading Co., Ltd.	4,265	-	10	4,372	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,233	-	10	3,468	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,622	-	10	17,127	-	10

3.4 Loans to customers and accrued interest receivables

3.4.1 Classified by loans to customers type

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Loans to customers		
Loans	71,883,119	67,269,299
Hire purchase receivables	168,448,360	186,823,686
Finance lease receivables	460,708	783,003
Less: Deferred revenue	(19,084,912)	(20,351,171)
Advances received from finance lease receivables	(213,078)	(258,535)
Total loans to customers	221,494,197	234,266,282
Add: Accrued interest receivables	484,024	502,279
Less: Allowance for doubtful accounts	(7,490,786)	(5,570,490)
Less: Allowance for loss on debt restructuring	(9,748)	-
Loans to customers and accrued interest receivables - net	214,477,687	229,198,071

3.4.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at 31 December					
	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	215,304,305	6,189,892	221,494,197	228,610,581	5,655,701	234,266,282
Total loans to customers						
net of deferred revenue	215,304,305	6,189,892	221,494,197	228,610,581	5,655,701	234,266,282

3.4.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 31 December 2016					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	426,150	30,352	11,918	7,155	759	476,334
Manufacturing and commerce	18,399,474	1,122,935	154,503	65,785	117,472	19,860,169
Real estate and construction	13,414,247	121,882	37,978	23,427	22,444	13,619,978
Public utilities and services	27,872,035	348,251	320,057	85,993	145,705	28,772,041
Personal consumption						
Hire purchase	118,084,143	12,741,097	1,671,048	1,030,141	792,296	134,318,725
Loan against auto license	15,787,723	1,452,248	253,085	114,016	8,615	17,615,687
Housing loan	837,582	49,987	26,118	15,851	49,270	978,808
Others	5,275,181	409,920	94,495	54,600	18,259	5,852,455
Total loans to customers	200,096,535	16,276,672	2,569,202	1,396,968	1,154,820	221,494,197
Add: Accrued interest receivables	302,295	181,729	-	-	-	484,024
Total loans to customers and accrued interest receivables	200,398,830	16,458,401	2,569,202	1,396,968	1,154,820	221,978,221

(Unit: Thousand Baht)

	As at 31 December 2015					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	544,563	10,828	6,785	609	913	563,698
Manufacturing and commerce	21,029,756	303,367	136,641	66,178	898,003	22,433,945
Real estate and construction	13,399,556	104,495	32,558	28,912	41,779	13,607,300
Public utilities and services	25,477,605	323,628	190,640	85,785	80,828	26,158,486
Personal consumption						
Hire purchase	131,084,288	13,795,644	1,967,760	1,575,046	1,122,520	149,545,258
Loan against auto license	14,045,726	1,269,289	278,552	111,200	18,746	15,723,513
Housing loan	1,088,462	54,465	17,015	8,227	56,379	1,224,548
Others	4,435,633	393,145	83,375	62,019	35,362	5,009,534
Total loans to customers	211,105,589	16,254,861	2,713,326	1,937,976	2,254,530	234,266,282
Add: Accrued interest receivables	308,968	193,311	-	-	-	502,279
Total loans to customers and accrued interest receivables	211,414,557	16,448,172	2,713,326	1,937,976	2,254,530	234,768,561

3.4.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2016			2015		
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	200,399	177,089	2,658	211,415	189,112	1,871
- Special mention	16,458	15,567	2,041	16,448	16,195	1,163
- Sub-standard	2,569	2,534	827	2,713	2,690	931
- Doubtful	1,397	1,384	416	1,938	1,931	599
- Doubtful of loss	1,155	1,062	273	2,255	1,695	694
Allowance established in excess	-	-	1,276	-	-	312
Total	221,978	197,636	7,491	234,769	211,623	5,570

⁽¹⁾ Allowance for doubtful accounts for loans to customers is determined based on debt balance less collateral value in accordance with the BOT's guidelines (except for hire purchase and finance lease receivables, for which the Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ As at 31 December 2016, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor 5/2559 minimum requirement by a total of Baht 3,074 million (As at 31 December 2015: total of Baht 1,131 million). The Bank allocated Baht 1,798 million of the excess provision to specific provision for individual debtors (As at 31 December 2015: total of Baht 819 million) and so combined with the minimum provision requirement of Baht 4,417 million (As at 31 December 2015: total of Baht 4,439 million), the total provision set aside in accordance with BOT requirements is Baht 6,215 million (As at 31 December 2015: total of Baht 5,258 million).

Percentage of allowance for doubtful accounts set up

	Loan against auto license					
	Hire purchase receivables ⁽¹⁾		receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December		As at 31 December	
	2016	2015	2016	2015 ⁽³⁾	2016	2015
Pass	0.80	0.68	1.57	1.12	1	1
Special mention	5.92	5.34	16.80	16.80	2	2
Sub-standard	28.21	23.38	34.57	100	100	100
Doubtful	24.19	22.91	34.57	100	100	100
Doubtful of loss	22.75	22.57	34.57	100	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

⁽²⁾ These percentages are the rates used to set aside allowance for doubtful accounts in accordance with the BOT's minimum requirement.

⁽³⁾ As at 31 December 2015, the Bank did not use collective approach for loan against auto license receivables.

3.4.5 Hire purchase and finance lease receivables

As at 31 December 2016, net receivables of the Bank under hire purchase and finance lease agreements amount to Baht 149,784 million (31 December 2015: Baht 167,170 million) and mostly comprise hire purchase agreements for cars, and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 December 2016				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	56,142	100,696	4,783	7,288	168,909
Less: Deferred revenue ⁽¹⁾	(7,001)	(8,789)	(163)	(2,959)	(18,912)
Advances received from finance lease receivables	(89)	(121)	-	(3)	(213)
Present value of minimum lease pay from agreements	49,052	91,786	4,620	4,326	149,784
Allowance for doubtful accounts ⁽²⁾					(2,973)
Net hire purchase and finance lease receivables					<u>146,811</u>

⁽¹⁾ Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.

⁽²⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

(Unit: Million Baht)

	As at 31 December 2015				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	60,971	113,753	5,267	7,616	187,607
Less: Deferred revenue ⁽¹⁾	(7,815)	(9,916)	(163)	(2,284)	(20,178)
Advances received from finance lease receivables	(37)	(222)	-	-	(259)
Present value of minimum lease pay from agreements	53,119	103,615	5,104	5,332	167,170
Allowance for doubtful accounts ⁽²⁾					(3,008)
Net hire purchase and finance lease receivables					<u>164,162</u>

⁽¹⁾ Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.

⁽²⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

3.4.6 Loans to customers for which the recognition of interest income has been ceased

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under the Bank's policy as at 31 December	
	2016	2015	2016	2015
	Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	6,573	7,315	7,395

⁽¹⁾ These amounts are calculated on an account by account basis.

⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

3.4.7 Deferred revenue which is presented as a deduction against loans to customers

(Unit: Million Baht)

	As at 31 December	
	2016	2015
Deferred revenue ⁽¹⁾	19,085	20,351

⁽¹⁾ These amounts included deferred revenue of hire purchase and finance lease contracts which are stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.4.8 Troubled debt restructuring

	For the years ended 31 December	
	2016	2015
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	6,421	9,589
Loan balances before restructuring (Million Baht)	2,805	3,252
Loan balances after restructuring (Million Baht)	2,820	3,273
Loss on debt restructuring (Million Baht)	9	-
Average contract year of debt restructuring (years)		
Hire purchase receivables	5	5
Mortgage loan receivables	2	3
Loan against auto license receivables	4	4
Commercial lending receivables	1	2

Supplemental information for the years ended 31 December 2016 and 2015 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2016	2015
Interest income on restructured receivables	343	185
Receipt of principal and interest	1,155	463

As at 31 December 2016 and 2015, the Bank has the outstanding balances with troubled restructured debtors as follows:

(Unit: Million Baht)

	As at 31 December			
	2016		2015	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	16,638	5,286	11,757	3,754

3.5 Allowance for doubtful accounts and loss on debt restructuring

3.5.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

	As at 31 December 2016						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,871,788	1,163,592	930,747	598,793	693,635	311,935	5,570,490
Increase in allowance for doubtful accounts during the years	786,880	877,711	1,967	1,752,943	1,398,274	963,591	5,781,366
Bad debt written-off	-	-	(106,213)	(1,935,625)	(1,819,232)	-	(3,861,070)
Balance - end of year	<u>2,658,668</u>	<u>2,041,303</u>	<u>826,501</u>	<u>416,111</u>	<u>272,677</u>	<u>1,275,526</u>	<u>7,490,786</u>

(Unit: Thousand Baht)

	As at 31 December 2015						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,821,820	2,494,274	1,072,978	623,641	176,873	190,751	6,380,337
Increase in allowance for doubtful accounts during the year	50,533	2,306,736	457,368	2,614,728	1,063,200	121,184	6,613,749
Transfer in (transfer out)	-	(3,636,960)	-	-	3,636,960	-	-
Bad debt written-off	(565)	(458)	(599,599)	(2,639,576)	(4,183,398)	-	(7,423,596)
Balance - end of year	<u>1,871,788</u>	<u>1,163,592</u>	<u>930,747</u>	<u>598,793</u>	<u>693,635</u>	<u>311,935</u>	<u>5,570,490</u>

3.5.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Thousand Baht)

	As at 31 December 2016			
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,259,045	2,999,510	311,935	5,570,490
Increase in allowance for doubtful accounts during the year	582,619	4,235,156	963,591	5,781,366
Bad debt written-off	(246,300)	(3,614,770)	-	(3,861,070)
Balance - end of year	<u>2,595,364</u>	<u>3,619,896</u>	<u>1,275,526</u>	<u>7,490,786</u>

(Unit: Thousand Baht)

	As at 31 December 2015			
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	3,446,373	2,743,213	190,751	6,380,337
Increase in allowance for doubtful accounts during the year	3,036,334	3,456,231	121,184	6,613,749
Bad debt written-off	(4,223,662)	(3,199,934)	-	(7,423,596)
Balance - end of year	<u>2,259,045</u>	<u>2,999,510</u>	<u>311,935</u>	<u>5,570,490</u>

3.5.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Balance - beginning of year	-	-
Increase during the year	9,748	-
Bad debt written-off	-	-
Balance - end of year	<u>9,748</u>	<u>-</u>

3.5.4 Non-performing loans to customers

(Unit: Million Baht)

	As at 31 December	
	2016	2015
Non-performing loans to customers	5,121	6,906
Allowance for doubtful accounts ⁽¹⁾	1,516	2,224

⁽¹⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.6 Classification of assets

3.6.1 Investments in companies with weak financial position and poor operating results

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts	
	as at 31 December		as at 31 December		as at 31 December	
	2016	2015	2016	2015	2016	2015
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽²⁾	6	6	-	-	6	6

⁽¹⁾ Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

⁽²⁾ Investments in securities of companies which are vulnerable to delisting, of companies whose auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

3.6.2 Classification of assets under the Bank of Thailand's guidelines

As at 31 December 2016 and 2015, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Pass	235,147	238,906	-	-	-	-	-	-	235,147	238,906
Special mention	16,277	16,254	-	-	-	-	-	-	16,277	16,254
Sub-standard	2,569	2,713	-	-	-	-	-	-	2,569	2,713
Doubtful	1,397	1,938	-	-	-	-	-	-	1,397	1,938
Doubtful of loss	1,155	2,255	54	49	14	14	12	1	1,235	2,319
Total	256,545	262,066	54	49	14	14	12	1	256,625	262,130

⁽¹⁾ Loans to customers included investment in debt securities under resale agreements of other commercial banks and loan to financial institutions (which are presented as part of interbank and money market items - asset in the statement of financial position).

3.6.3 Classification of assets under the Bank of Thailand's guidelines which the Bank sets aside provision using a collective approach

3.6.3.1 Hire purchase receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting		Percentage of allowance for		Allowance for	
	as at 31 December		the allowance for doubtful		doubtful account setup ⁽²⁾		doubtful accounts ⁽³⁾	
	2016	2015	accounts ⁽¹⁾		as at 31 December		as at 31 December	
			2016	2015	2016	2015	2016	2015
					(%)	(%)		
Pass	131,798	146,900	131,798	146,900	0.80	0.68	1,052	1,000
Special mention	13,434	14,458	13,434	14,458	5.92	5.34	795	772
Sub-standard	2,134	2,296	2,134	2,296	28.21	23.38	602	537
Doubtful	1,168	1,728	1,168	1,728	24.19	22.91	283	396
Doubtful of loss	1,017	1,306	1,017	1,306	22.75	22.57	231	295
Total	149,551	166,688	149,551	166,688			2,963	3,000

⁽¹⁾ The Bank does not deduct the collateral value from the outstanding loan balance for calculation of allowance for doubtful accounts for hire purchase receivables.

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽³⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.6.3.2 Loan against auto license receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting		Percentage of allowance for		Allowance for	
	as at 31 December		up allowance for		doubtful account setup ⁽¹⁾⁽²⁾		doubtful accounts ⁽³⁾	
	2016	2015	doubtful accounts		as at 31 December		as at 31 December	
			2016	2015	2016	2015	2016	2015
					(%)	(%)		
Pass	16,665	14,772	16,665	14,772	1.57	1.12	261	165
Special mention	1,527	1,331	1,527	1,331	16.80	16.80	257	223
Sub-standard	269	296	269	296	34.57	100	93	296
Doubtful	125	116	125	116	34.57	100	43	116
Doubtful of loss	9	20	9	20	34.57	100	3	20
Total	18,595	16,535	18,595	16,535			657	820

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽²⁾ As at 31 December 2015, the Bank did not use collective approach for loan against auto license receivables.

⁽³⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.6.4 Loans to customers includes debts due from companies with weak financial position and operating results.

	Number of debtors as at 31 December		Debt balance as at 31 December		Collateral value as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	1	-	821	-	656	-	821 ⁽¹⁾	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	-	577	-	249	-	7	-
3. Listed companies under rehabilitation	-	1	-	821	-	497	-	324
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	5	1	1,398	821	905	497	828	324

⁽¹⁾ The amount already includes allowance for loss on debt restructuring.

3.7 Properties foreclosed

	(Unit: Thousand Baht)	
	As at 31 December	
	2016	2015
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	16,397	70,484
Disposals	(4,684)	(54,087)
Balance - end of year	11,713	16,397
Movable assets		
Balance - beginning of year	28,566	65,585
Additions	3,458,349	4,337,674
Disposals	(3,480,144)	(4,374,693)
Balance - end of year	6,771	28,566
Total properties foreclosed	18,484	44,963
Less: Allowance for impairment		
Balance - beginning of year	617	18,102
Increase	11,632	303
Decrease	(504)	(17,788)
Balance - end of year	11,745	617
Total properties foreclosed - net	6,739	44,346

3.8 Investment properties

The book value of investment properties as at 31 December 2016 and 2015 is as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Book value - beginning of year	31,363	16,067
Transfer type of asset	-	15,296
Book value - end of year	<u>31,363</u>	<u>31,363</u>

The investment property is an office condominium for rent and stated at fair value at the end of 2016. The fair value of investment properties was calculated by the asset appraisal method based on the income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalisation rate, discount rate and other relevant factors. These asset appraisal approach also made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of the Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at 31 December 2016	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	11.7	Decrease in fair value

3.9 Premises and equipment

(Unit: Thousand Baht)

	Revaluation basis		Cost basis			Total
	Building, office condominium and building improvements	Land	Building and improvements	Furniture, fixtures, computer and equipment	Motor vehicles	
Cost:						
As at 1 January 2015	530,220	17,509	495,445	594,798	64,564	1,702,536
Additions/transfers in	-	-	17,647	17,253	18,455	53,355
Disposals/written-off/ transfers out	(21,103)	-	(13,129)	(37,666)	(3,253)	(75,151)
As at 31 December 2015	509,117	17,509	499,963	574,385	79,766	1,680,740
Additions/transfers in	-	-	8,937	38,966	1,601	49,504
Disposals/written-off/ transfers out	-	-	(722)	(84,002)	(13,734)	(98,458)
As at 31 December 2016	509,117	17,509	508,178	529,349	67,633	1,631,786
Accumulated depreciation:						
As at 1 January 2015	9,454	-	380,862	518,503	42,290	951,109
Depreciation for the year	9,227	-	33,321	22,883	7,937	73,368
Depreciation on disposals/ written-off/transfers out	(5,808)	-	(10,656)	(37,662)	(3,253)	(57,379)
As at 31 December 2015	12,873	-	403,527	503,724	46,974	967,098
Depreciation for the year	9,195	-	32,525	20,124	8,433	70,277
Depreciation on disposals/ written-off/transfers out	-	-	(415)	(60,081)	(13,734)	(74,230)
As at 31 December 2016	22,068	-	435,637	463,767	41,673	963,145
Net book value:						
As at 31 December 2015	496,244	17,509	96,436	70,661	32,792	713,642
As at 31 December 2016	487,049	17,509	72,541	65,582	25,960	668,641
Depreciation for the years ended 31 December:						
2015						73,368
2016						70,277

The Bank arranged for an independent professional appraiser to appraise the value of the office condominium in 2013, using the income approach.

Had the office condominiums been carried in the financial statements based on cost model cost, its net book value as at 31 December 2016 and 2015 would have been as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2016	2015
Office condominiums - net of accumulated depreciation	234,294	240,081

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at 31 December 2016	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	11.7	Decrease in fair value

3.10 Intangible assets

The book value of intangible assets as at 31 December 2016 and 2015 is presented as follows:

	(Unit: Thousand Baht)
	Computer software
As at 31 December 2016:	
Cost	768,964
Less: Accumulated amortisation	(409,881)
Net book value	<u>359,083</u>
As at 31 December 2015:	
Cost	652,235
Less: Accumulated amortisation	(373,144)
Net book value	<u><u>279,091</u></u>

A reconciliation of the net book value of intangible assets for the years ended 31 December 2016 and 2015 is presented as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Net book value at beginning of year	279,091	223,601
Acquisitions of computer software	92,857	67,476
Transfer in of computer software	23,872	-
Amortisation	(36,737)	(11,986)
Net book value at end of year	<u>359,083</u>	<u>279,091</u>

3.11 Other assets

	(Unit: Thousand Baht)	
	As at 31 December	
	2016	2015
Value added tax - net	370,275	667,366
Accrued interest receivables	14,475	19,911
Fee and service receivables	61,771	54,600
Deposits	46,291	45,979
Other receivables	525,588	553,865
Other assets	198,380	231,977
Total other assets	<u>1,216,780</u>	<u>1,573,698</u>

3.12 Deposits

3.12.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	As at 31 December	
	2016	2015
Deposits		
Current accounts	3,800,991	3,245,280
Saving accounts	51,928,032	48,272,465
Fixed accounts		
- not over 6 months	7,606,080	15,505,231
- over 6 months but not over 1 year	6,994,920	1,859,691
- over 1 year	238,889	369,246
Certificates of deposit/negotiable certificates of deposit	85,381,904	89,794,514
Total	<u>155,950,816</u>	<u>159,046,427</u>

3.12.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Not over 1 year ⁽¹⁾	155,630,660	158,546,485
Over 1 year	320,156	499,942
Total deposits	155,950,816	159,046,427

⁽¹⁾ Including fully-mature deposit contracts

3.12.3 As at 31 December 2016 and 2015, all outstanding deposits are deposits from domestic depositors and in Baht.

3.13 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2016			2015		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	15,007	15,007	-	20,711	20,711
Commercial banks	48,020	-	48,020	131,107	-	131,107
Specialised Financial Institutions	-	2,444,000	2,444,000	-	2,671,000	2,671,000
Other financial institutions	574,581	1,889,260	2,463,841	1,249,124	5,891,563	7,140,687
Total	622,601	4,348,267	4,970,868	1,380,231	8,583,274	9,963,505

3.14 Debt issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	7,323,000	6,643,000
Unsubordinated unsecured debentures	57,039,000	60,939,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	64,398,919	67,618,919

3.14.1 Subordinated unsecured debentures

As at 31 December 2016 and 2015, the Bank has long-term subordinated unsecured debentures as follows:

Issued year	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
	2016	2015		2016	2015		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2012	1.00	1.00	1,000	1,000	1,000	2022	4.85 percent per annum
2012	1.24	1.24	1,000	1,243	1,243	2022	4.60 percent per annum
2014	1.60	1.60	1,000	1,600	1,600	2024	6.00 percent per annum
2014	0.80	0.80	1,000	800	800	2024	6.00 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	-	1,000	680	-	2026	3.875 percent per annum
Total				7,323	6,643		

3.14.2 Unsubordinated unsecured debentures

As at 31 December 2016 and 2015, the Bank has short-term and long-term unsubordinated unsecured debenture as follows:

Issued year	Type of debentures	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
		2016	2015		2016	2015		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2015	Short-term debenture	-	5.60	1,000	-	5,600	2016	1.75 percent per annum
2015	Short-term debenture	-	39.659	1,000	-	39,659	2016	1.55 - 1.76 percent per annum
2015	Long-term debenture	15.68	15.68	1,000	15,680	15,680	2017	1.875 - 2.00 percent per annum
2016	Short-term debenture	16.859	-	1,000	16,859	-	2017	1.50 - 1.71 percent per annum
2016	Long-term debenture	5.50	-	1,000	5,500	-	2018	1.95 - 2.00 percent per annum
2016	Long-term debenture	10.00	-	1,000	10,000	-	2019	1.85 - 1.95 percent per annum
2016	Short-term debenture	9.00	-	1,000	9,000	-	2017	1.75 - 1.80 percent per annum
Total					57,039	60,939		

3.14.3 Bills of exchange

Bills of exchange comprise the fixed interest rate bearing at 2.50 percent per annum, which will gradually mature in 2017.

3.15 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 31 December 2016 and 2015 were as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Defined post-employment benefit obligation at beginning of year	135,962	130,741
Current service cost	14,016	10,856
Interest cost	4,181	4,272
Benefits paid during the year	(3,198)	(4,403)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	(10,293)	10,922
Financial assumptions changes	16,412	(3,052)
Other assumptions changes	15,771	(13,374)
Defined post-employment benefit obligation at end of year	172,851	135,962
Other long-term benefits	99,539	69,580
Total provision for long-term employee benefits at end of year	<u>272,390</u>	<u>205,542</u>

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2016 and 2015 were as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2016	2015
Current service cost	25,127	19,536
Interest cost	5,668	5,736
Actuarial losses	22,299	22,656
Total employee benefits expenses	<u>53,094</u>	<u>47,928</u>

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 31 December 2016 and 2015 amounted to Baht 46 million and Baht 28 million, respectively.

The Bank expects to pay Baht 6 million in contributions to its provision for long-term employee benefits during the next year (31 December 2015: Baht 1 million).

As at 31 December 2016 and 2015, the weighted average duration of the liabilities for long-term employee benefit is 22 years and 23 years, respectively.

Significant actuarial assumptions are summarised below.

	(Unit: Percent per annum)	
	As at 31 December	
	2016	2015
Discount rate	1.50 - 3.72	1.49 - 4.00
Average salary increase rate	3.50	2.99

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefits obligation as at 31 December 2016 and 2015 are summarised below.

	(Unit: Thousand Baht)			
	As at 31 December 2016		As at 31 December 2015	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(5,914)	6,206	(4,675)	4,900
Average salary increase rate	6,292	(6,022)	5,100	(4,883)

3.16 Other liabilities

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Withholding income tax and other tax payables	350,693	339,816
Accrued insurance premium	695,535	768,266
Deferred income	1,045,309	1,125,804
Accrued expenses	1,492,294	1,282,122
Suspense creditors	390,458	620,420
Other liabilities	307,063	414,758
Total other liabilities	4,281,352	4,551,186

The above accrued expenses included accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses included costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the year of five years from grant date to settlement date. As of 31 December 2016 and 2015, the Bank has issued bonus under this scheme amounting to Baht 263 million and Baht 198 million, respectively.

3.17 Preference shares converted to ordinary shares

Up to 31 December 2016 and 2015, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 31 December 2016 and 2015, there are preference shares which are convertible to ordinary shares totaling 104 shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.18 Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain capital adequacy ratio in accordance with the regulations of the Bank of Thailand.

The Bank maintains capital adequacy ratio in compliance with Basel III principles which is implementing capital to risk assets requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, loan against auto license receivables, corporate lending, equity exposure and other assets.

Regarding Capital fund as at 31 December 2016 and 2015, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of the Bank (under Basel III principles) are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2016	2015
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	13,501,650	11,761,069
Other components of equity	218,920	223,944
Less: Deductions from Common Equity Tier I items	(481,432)	(738,189)
Total Common Equity Tier I capital	25,981,838	23,989,524
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	25,981,839	23,989,525
<u>Tier II capital</u>		
Long-term subordinated debentures	7,323,000	6,643,000
Surplus of provision	789,422	-
Reserve for loans classified as pass	447,354	268,512
Total Tier II capital	8,559,776	6,911,512
Total capital funds	34,541,615	30,901,037

(Unit: Percent)

Capital fund ratios	As at 31 December			
	2016		2015	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	14.73	5.125	13.98	4.50
Tier I capital to risk assets	14.73	6.625	13.98	6.00
Total capital to risk assets	19.59	9.125	18.01	8.50

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 4/2556 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank has disclosed capital maintenance information as at 30 June 2016 on its website on 31 October 2016.

3.19 Surplus on changes in value of investments

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Balance - beginning of year	38,446	40,751
Decrease from changes in value of investments during the year	(16,721)	(2,305)
	21,725	38,446
Less: The effect of deferred tax liabilities	(4,345)	(7,689)
Balance - end of year	17,380	30,757

3.20 Surplus on revaluation of assets

This represents surplus arising from revaluation of office condominiums. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets, which is transferred to retained earnings.

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Balance - beginning of year	264,551	267,991
Transfer to retained earnings	(3,408)	(3,440)
	261,143	264,551
Less: The effect of deferred tax liabilities	(52,228)	(52,910)
Balance - end of year	208,915	211,641

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

3.21 Interest income

Interest income in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Interbank and money market items	487,441	478,639
Investments in debt securities	151,023	244,997
Loans to customers	5,456,419	5,586,056
Hire purchase and finance lease	9,099,615	9,694,611
Total interest income	15,194,498	16,004,303

3.22 Interest expenses

Interest expenses in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Deposits	2,446,212	3,869,637
Interbank and money market items	128,093	214,711
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	1,004,772	1,138,798
Issued debt securities		
- Subordinated debentures	348,497	341,715
- Unsubordinated debentures	1,030,184	999,206
Borrowings	913	686
Total interest expenses	4,958,671	6,564,753

3.23 Net fee and service income

Net fee and service income in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Fee and service income		
- Acceptance, aval and guarantee	10,171	15,208
- Insurance service	2,300,657	2,284,977
- Management	15,654	7,013
- Financial advisory	3,900	1,000
- Others	809,080	825,197
Total fee and service income	3,139,462	3,133,395
Fee and service expenses	(96,148)	(65,389)
Net fee and service income	3,043,314	3,068,006

3.24 Net gains (losses) on trading and foreign exchange transactions

Net gains (losses) on trading and foreign exchange transactions in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	-	32,704
- Derivatives on interest rates	(7,606)	(19,108)
- Debt securities	5,068	770
Net gains (losses) on trading and foreign exchange transactions	(2,538)	14,366

3.25 Net gains on investments

Net gains on investments in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2016	2015
Gains on disposal		
- Available-for-sale investments	6,045	11,389
- Held-to-maturity securities	-	65
- General investments	10,921	14,983
Total	16,966	26,437
Losses on impairment		
- General investments	(5,088)	(2,362)
Total	(5,088)	(2,362)
Net gains on investments	11,878	24,075

3.26 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2016	2015
Held-to-maturity debt securities	(668)	(3,183)
Loans to customers	3,740,882	4,872,857
Total	3,740,214	4,869,674

3.27 Other operating income

Other operating income in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Gains on disposal of property foreclosed	70,256	48,107
Dividend income	65,826	78,529
Others	32,324	30,104
Total	168,406	156,740

3.28 Other operating expenses

Other operating expenses in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Mailing expenses	51,151	50,923
Software amortisation expenses	36,737	11,986
Legal expenses	342,281	317,582
Transportation expenses	71,061	72,742
Advertising and business promotion expenses	87,438	92,407
Others	246,643	227,296
Total	835,311	772,936

3.29 Income tax expenses

Income tax expenses of the Bank for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Current income tax:		
Income tax expenses for the year	1,133,722	702,322
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	(199,610)	14,029
Income tax expenses reported in the statement of comprehensive income	934,112	716,351

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Losses on change in value of in available-for-sale investments	3,344	461
Actuarial (gains) losses	4,378	(1,100)
Income tax expenses recorded directly to other comprehensive income	7,722	(639)

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2016 and 2015 is as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Accounting profit before tax	4,621,669	3,630,657
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rate	924,334	726,131
Adjustment respect of in deferred tax assets	6,711	-
Tax effect of net tax-exempt income and net disallowed expenses	3,067	(9,780)
Income tax expenses reported in the statement of comprehensive income	934,112	716,351

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended			
	As at 31 December		31 December	
	2016	2015	2016	2015
Allowance for doubtful accounts	255,105	62,387	192,718	24,237
Allowance for impairment of investments	22,998	22,114	884	(4,574)
Allowance for impairment of properties foreclosed	2,350	124	2,226	(3,497)
Non-accrual of interest income	30,315	32,833	(2,518)	(8,515)
Depreciation of assets	(10,531)	(891)	(9,640)	(4,042)
Finance leases	16,519	12,441	4,078	(190)
Gain on changes in value of investment properties	(1,489)	(1,489)	-	-
Surplus on revaluation of assets	(54,293)	(54,293)	-	-
Gains on change in value of available-for-sale investments	(4,345)	(7,689)	-	-
Unrealised loss on derivatives	6,610	8,165	(1,555)	1,277
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(473,304)	(461,702)	(11,602)	(10,541)
Unearned interest income on hire purchase	113,277	142,906	(29,629)	(3,847)
Accrued expenses	150,713	103,890	46,823	(27,720)
Employee benefit expenses	54,478	41,109	8,991	6,852
Others	110,403	111,569	(1,166)	16,531
Deferred tax assets	218,806	11,474	199,610	(14,029)

3.30 Components of other comprehensive income

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2016	2015
Other comprehensive income		
Available-for-sale investments:		
Gains (losses) during the year	(10,676)	9,084
Less: Reclassification adjustments for gains included in profit or loss	(6,045)	(11,389)
	(16,721)	(2,305)
Actuarial gains (losses)	(21,890)	5,504
Other comprehensive income	(38,611)	3,199
Income tax effects relating to components of other comprehensive income	7,722	(639)
Net other comprehensive income for the year	(30,889)	2,560

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December					
	2016			2015		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Losses on change in value of available-for-sale investments	(16,721)	3,344	(13,377)	(2,305)	461	(1,844)
Actuarial (gains) losses	(21,890)	4,378	(17,512)	5,504	(1,100)	4,404
	<u>(38,611)</u>	<u>7,722</u>	<u>(30,889)</u>	<u>3,199</u>	<u>(639)</u>	<u>2,560</u>

3.32 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the years ended 31 December	
	2016	2015
Profit attributable to equity holders of the Bank (Thousand Baht)	3,687,557	2,914,306
Weighted average number of shares (Thousand shares)	921,568	921,568
Basic earnings per share (Baht/share)	4.00	3.16

3.33 Related party transactions

The relationships between the Bank and its related parties

Name of related parties	Relationship
TISCO Financial Group Plc.	Parent Company
TISCO Securities Co., Ltd.	Common Shareholders
TISCO Asset Management Co., Ltd.	Common Shareholders
Deutsche TISCO Investment Advisory Co., Ltd.	Related Company
Hi-Way Co., Ltd.	Common Shareholders
TISCO Leasing Co., Ltd.	Common Shareholders
TISCO Information Technology Co., Ltd.	Common Shareholders
TISCO Learning Center Co., Ltd.	Common Shareholders
All-Ways Co., Ltd.	Common Shareholders
Primus Leasing Co., Ltd. (In the process of liquidation)	Common Shareholders
TISCO Tokyo Leasing Co., Ltd.	Common Shareholders

As at 31 December 2016 and 2015, the balance of the accounts between the Bank and related companies are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2016	2015
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	533,487	416,681
Accrued interest payable	75	42
Dividend payable	2,027,194	1,105,742
Other liabilities	106,460	101,343
Related companies		
Other Assets:		
TISCO Leasing Co., Ltd.	3,230	4,585
TISCO Securities Co., Ltd.	800	1,948
TISCO Asset Management Co., Ltd.	14	-
Deposits:		
Hi-Way Co., Ltd.	30,847	62,293
TISCO Information Technology Co., Ltd.	130,736	155,594
Primus Leasing Co., Ltd.	32,899	32,899
TISCO Learning Center Co., Ltd.	33,757	31,189
TISCO Leasing Co., Ltd.	21,939	2,760
All-Ways Co., Ltd.	99,628	821
TISCO Tokyo Leasing Co., Ltd.	278	1,250
Interbank and money market items (Liabilities):		
TISCO Asset Management Co., Ltd.	248,437	160,126
Deutsche TISCO Investment Advisory Co., Ltd.	205,710	219,013
TISCO Securities Co., Ltd.	27,503	12,389
Accrued interest payable:		
TISCO Securities Co., Ltd.	1	-
TISCO Asset Management Co., Ltd.	445	344
TISCO Information Technology Co., Ltd.	184	258
TISCO Learning Center Co., Ltd.	84	34
Hi-Way Co., Ltd.	4	-
Deutsche TISCO Investment Advisory Co., Ltd.	10	-
All-Ways Co., Ltd.	254	-

(Unit: Thousand Baht)

As at 31 December

	2016	2015
<u>Outstanding balance (continued)</u>		
Related companies (continued)		
Other liabilities:		
Hi-Way Co., Ltd.	46,920	34,800
TISCO Learning Center Co., Ltd.	1,242	3,443
All-Ways Co., Ltd.	484	637
TISCO Leasing Co., Ltd.	481	-
TISCO Securities Co., Ltd.	145	-
Commitments		
Parent company		
TISCO Financial Group Plc.	1,184	1,080
Related companies		
TISCO Information Technology Co., Ltd.	1,070	1,070
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440

Loans to related companies

As at 31 December 2016 and 1 January 2016, the balance of loans between the Bank and its related companies and their movement are as follows:

(Unit: Thousand Baht)

	As at 1 January 2016	Increase	Decrease	As at 31 December 2016
Related companies				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	297,000	-	-	297,000

(Unit Thousand Baht)

	For the years ended		Terms and pricing policy
	31 December		
	2016	2015	
<u>Transactions occurred during the year</u>			
Parent company			
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	1,164,027	948,192	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	5,280	7,406	With reference to the terms and prices as offered to other customers
Other expenses	9,263	9,263	With reference to the terms and prices as offered to other customers
Other income	1,000	1,000	With reference to the terms and prices as offered to other customers
Related companies			
Interest income	9,927	10,480	With reference to the terms and prices as offered to other customers
Income involving to loan	2,559	3,876	With reference to the terms and prices as offered to other customers
Other income	3,926	4,571	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	247,000	252,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	37,947	40,265	With reference to the prices as offered from other service providers
Expenses involving to loan	162,120	135,560	Determined on actual cost
Interest expenses	4,632	6,686	With reference to the terms and prices as offered to other customers
Other expenses	6,841	6,825	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Loans ⁽¹⁾	3,775	5,456

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Deposits	70,145	65,446

Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Bank had short-term benefit expenses paid to their directors and key management during the years and other employee benefit expenses payable to their directors and management as follow:

(Unit: Million Baht)

	For the years ended 31 December	
	2016	2015
Short-term benefits	166	150
Post-employment benefits	15	14
Other long-term benefits	28	19
Total	209	183

3.34 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Chairperson of the Executive Board.

For management purposes, the Bank is organised into business units based on its products and services and has the following three reportable segments:

1. Retail banking business: Provision of credit facilities to retail customers, who are mostly individuals, principally comprised of consumer credit.
2. Corporate banking business: Provision of financial services, in the form of loans and related services, to medium and large corporate clients for commercial purposes and related services.
3. Treasury investment and other businesses: Responsible for asset and liability management activities of the Bank and other businesses.

No operating segments have been aggregated from the above reportable operating segment.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss in which operating expenses are allocated on a basis of loans and operating income of each segment. However, the Bank's income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The Bank's operate in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

During the years 31 December 2016 and 2015, the Bank did not has income from any customer amounting to or over 10 percent of their income.

The following tables present revenue, profit and total assets information regarding the Bank's operating segments for the years ended 31 December 2016 and 2015, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the year ended 31 December 2016						
Revenue						
External customers	11,888	1,817	366	14,071	-	14,071
Inter-segment	-	-	1,966	1,966	(1,966)	-
Total revenue	11,888	1,817	2,332	16,037	(1,966)	14,071
Operating results:						
Net interest income	8,218	1,709	309	10,236	-	10,236
Net fee and service income	2,967	93	(17)	3,043	-	3,043
Other operating income	703	15	2,040	2,758	(1,966)	792
Total operating income	11,888	1,817	2,332	16,037	(1,966)	14,071
Premises and equipment expenses and amortisation	(242)	(32)	(531)	(805)	-	(805)
Other operating expenses	(4,747)	(650)	(1,473)	(6,870)	1,966	(4,904)
Bad debt, doubtful accounts and impairment losses	(1,486)	(336)	(1,918)	(3,740)	-	(3,740)
Total operating expenses	(6,475)	(1,018)	(3,922)	(11,415)	1,966	(9,449)
Segment profit	5,413	799	(1,590)	4,622	-	4,622
Income tax expenses						(934)
Profit for the year						3,688

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments
As at 31 December 2016				
Segment total assets	169,495	52,018	39,229	260,742
Premises and equipment - net	18	1	650	669

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the year ended 31 December 2015						
Revenue						
External customers	10,837	2,201	445	13,483	-	13,483
Inter-segment	-	-	1,335	1,335	(1,335)	-
Total revenue	10,837	2,201	1,780	14,818	(1,335)	13,483
Operating results:						
Net interest income	7,122	1,944	374	9,440	-	9,440
Net fee and service income	2,973	101	(6)	3,068	-	3,068
Other operating income	742	156	1,412	2,310	(1,335)	975
Total operating income	10,837	2,201	1,780	14,818	(1,335)	13,483
Premises and equipment expenses and amortisation	(251)	(34)	(488)	(773)	-	(773)
Other operating expenses	(4,037)	(625)	(883)	(5,545)	1,335	(4,210)
Bad debt, doubtful accounts and impairment losses	(2,690)	(669)	(1,511)	(4,870)	-	(4,870)
Total operating expenses	(6,978)	(1,328)	(2,882)	(11,188)	1,335	(9,853)
Segment profit	3,859	873	(1,102)	3,630	-	3,630
Income tax expenses						(716)
Profit for the year						2,914

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments
As at 31 December 2015				
Segment total assets	181,838	52,446	35,516	269,800
Premises and equipment - net	17	1	696	714

3.35 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the years 2016 and 2015, the Bank recognised contributions as expenses totaling Baht 106 million and Baht 95 million, respectively.

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Avals	268,042	414,867
Other guarantees	728,146	691,788
Undrawn client overdraft facilities	30,000	30,000
Interest rate swap agreements (Note 3.37.5)	1,200,000	1,200,000
Others	6,559,395	13,364,596
Total	<u>8,785,583</u>	<u>15,701,251</u>

3.36.2 Litigation

As at 31 December 2016 and 2015, the Bank has been sued for compensation totaling approximately Baht 311 million and Baht 363 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

3.36.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office buildings and branch offices. The terms of the agreements are generally 3 - 10 years.

As at 31 December 2016 and 2015, the Bank has future minimum lease payments required under these non-cancellable operating leases contracts as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2016	2015
Payable within		
Not over 1 year	51	93
Over 1 to 5 years	82	72
Over 5 years	42	1

3.37 Financial instruments

3.37.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Bank on the due date or to intentionally fail to make payments to the Bank in accordance with the agreement.

The Bank is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

The Bank has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Bank manages credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Bank has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. The Bank also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Bank therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank is not exposed to concentrations of credit risk because it has a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans to customers as stated in the financial statements.

Quality of risk from provision of hire purchase receivables of the Bank, which comprises the largest portion of credit granted by the Bank, is as detailed below.

The risk of hire purchase credit that is not overdue of the Bank can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follows:

(Unit: Million Baht)

	As at 31 December	
	2016	2015
Neither past due nor impaired		
Very high grade	42,556	45,348
High grade	76,086	90,926
Medium grade	13,156	10,626
Subtotal	131,798	146,900
Hire purchase receivables - overdue for 31 to 90 days	13,434	14,458
Hire purchase receivables - overdue for more than 90 days	4,319	5,330
Total	149,551	166,688

3.37.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices and interest rates, which may affect income or the capital funds of the Bank. In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. The Bank uses a combination of risk sensitivities, Value at Risk and stress testing to manage market risks and establish limits. The Value at Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value at Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.37.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at 31 December	
	2016	2015
Marketable financial assets		
Equity securities	1	-
Debt securities	5	10
Derivatives	10	14

3.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over the year of one year, based on the fixed interest bearing asset and liability positions held by the Bank at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2016	2015
Change in interest rate		
Increase by 1 percent	83.18	(223.05)
Decrease by 1 percent	(83.18)	223.05

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual. The net interest rate sensitivity incurred would be less than the effect on net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities does not include the status of marketable debt securities, which is presented in the market risk - marketable portfolio.

3.37.2.3 Interest rate risk

The Bank has the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

As at 31 December 2016				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Non-interest bearing</u>	<u>Total</u>
<u>Financial assets</u>				
Cash	-	-	1,148	1,148
Interbank and money market items	-	35,495	1,567	37,062
Investments - net	-	2,097	3,456	5,553
Loans to customers ⁽¹⁾	15,254	203,254	3,470	221,978
	<u>15,254</u>	<u>240,846</u>	<u>9,641</u>	<u>265,741</u>
<u>Financial liabilities</u>				
Deposits	55,485	100,222	244	155,951
Interbank and money market items	563	4,367	41	4,971
Liabilities payable on demand	-	-	180	180
Derivatives liabilities	-	-	34	34
Debts issued and borrowings	-	64,399	-	64,399
	<u>56,048</u>	<u>168,988</u>	<u>499</u>	<u>225,535</u>

⁽¹⁾ Loans to customers with floating interest rates and fixed interest rates include non-performing loans to customers on an accrual basis.

(Unit: Million Baht)

As at 31 December 2015				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Non-interest bearing</u>	<u>Total</u>
<u>Financial assets</u>				
Cash	-	-	1,100	1,100
Interbank and money market items	50	27,807	1,806	29,663
Investments - net	-	3,186	3,999	7,185
Loans to customers ⁽¹⁾	25,526	204,363	4,880	234,769
	<u>25,576</u>	<u>235,356</u>	<u>11,785</u>	<u>272,717</u>
<u>Financial liabilities</u>				
Deposits	51,250	107,529	267	159,046
Interbank and money market items	562	9,358	44	9,964
Liabilities payable on demand	-	-	356	356
Derivatives liabilities	-	-	42	42
Debts issued and borrowings	-	67,619	-	67,619
	<u>51,812</u>	<u>184,506</u>	<u>709</u>	<u>237,027</u>

⁽¹⁾ Loans to customers with floating interest rates and fixed interest rates include non-performing loans to customers on an accrual basis.

Financial instruments which bear interest rate at fixed rates are classified below by the year from the financial statements date to the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

As at 31 December 2016							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	35,197	1	297	-	35,495	1.5081
Investments - net	-	742	251	1,102	2	2,097	3.7354
Loans to customers	22,096	22,051	47,986	106,108	5,013	203,254	7.0783
	<u>22,096</u>	<u>57,990</u>	<u>48,238</u>	<u>107,507</u>	<u>5,015</u>	<u>240,846</u>	
Financial liabilities							
Deposits	4,255	61,813	33,834	320	-	100,222	1.5845
Interbank and money market items	19	627	1,277	-	2,444	4,367	0.7720
Debts issued and borrowings	37	19,800	21,739	15,500	7,323	64,399	2.1746
	<u>4,311</u>	<u>82,240</u>	<u>56,850</u>	<u>15,820</u>	<u>9,767</u>	<u>168,988</u>	

(Unit: Million Baht)

As at 31 December 2015							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	27,509	-	298	-	27,807	1.5205
Investments - net	-	196	952	2,038	-	3,186	4.0413
Loans to customers	2,196	19,669	45,884	119,931	16,683	204,363	7.1028
	<u>2,196</u>	<u>47,374</u>	<u>46,836</u>	<u>122,267</u>	<u>16,683</u>	<u>235,356</u>	
Financial liabilities							
Deposits	3,613	78,028	25,388	500	-	107,529	1.8095
Interbank and money market items	775	1,435	4,456	21	2,671	9,358	1.4426
Debts issued and borrowings	37	29,365	15,894	15,680	6,643	67,619	2.0739
	<u>4,425</u>	<u>108,828</u>	<u>45,738</u>	<u>16,201</u>	<u>9,314</u>	<u>184,506</u>	

The balances of loans to customers (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

3.37.3 Liquidity risk

Liquidity risk is uncertainty that the Bank is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the Bank's risks. A manageable level of maturity mismatch of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserve assets. The procurement and concentration of funding sources will be well-planned to optimise risk and return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the Bank sets the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the Bank has set stress testing scenarios for liquidity risk where the scenarios cover the Bank's specific scenarios and industry-based scenarios, which cause unusual cash outflow from the Bank.

The main source of fund came from deposits. In the past, there was high rollover rate for matured deposits. Besides, the Bank also issued subordinated and unsubordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets to cushion against liquidity risk. Moreover, the Bank provides credit line to other companies under TISCO Group to support liquidity position if required.

3.37.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

As at 31 December 2016				
Remaining contractual maturity				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	150,827	56,850	25,621	233,298

(Unit: Million Baht)

As at 31 December 2015				
Remaining contractual maturity				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	172,690	45,738	25,557	243,985

The matured liabilities are generally rolled-over with 90 percent average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity of less than three months comprised current deposit and saving deposit. Both current deposit and saving deposit are considered to be more stable than term deposit in terms of cash outflow.

3.37.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at 31 December	
	2016	2015
Composition of highly liquid assets		
Cash	1,148	1,100
Interbank and money market - net	37,062	29,663
Current investments - net	5,127	6,749
Total highly liquid assets ⁽¹⁾	43,337	37,512
Liquid asset requirement ⁽¹⁾	9,507	9,974

⁽¹⁾ Highly liquid assets and liquid asset requirement are based on internal measurement.

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 31 December 2016 and 2015, the Bank has highly liquid assets, which are daily calculated, at Baht 43,337 million and Baht 37,512 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 9,507 million and Baht 9,974 million, respectively. In addition, the Bank has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.37.3.3 Counting from the financial statement date, as at 31 December 2016 and 2015, the years to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 31 December 2016							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans	
Financial assets								
Cash	1,148	-	-	-	-	-	-	1,148
Interbank and money market items	1,567	35,197	1	297	-	-	-	37,062
Investments - net	-	1,851	2,164	1,102	2	434	-	5,553
Loans to customers	24,333	22,980	48,655	110,204	10,685	-	5,121	221,978
	<u>27,048</u>	<u>60,028</u>	<u>50,820</u>	<u>111,603</u>	<u>10,687</u>	<u>434</u>	<u>5,121</u>	<u>265,741</u>
Financial liabilities								
Deposits	59,984	61,813	33,834	320	-	-	-	155,951
Interbank and money market items	623	627	1,277	-	2,444	-	-	4,971
Liabilities payable on demand	180	-	-	-	-	-	-	180
Derivatives liabilities	-	-	-	34	-	-	-	34
Debts issued and borrowings	37	19,800	21,739	15,500	7,323	-	-	64,399
	<u>60,824</u>	<u>82,240</u>	<u>56,850</u>	<u>15,854</u>	<u>9,767</u>	<u>-</u>	<u>-</u>	<u>225,535</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	5	298	16	31	1	645	-	996
Other commitments	-	-	4,410	3,349	-	30	-	7,789

(Unit: Million Baht)

As at 31 December 2015

<u>Transactions</u>	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans	
Financial assets								
Cash	1,100	-	-	-	-	-	-	1,100
Interbank and money market items	1,856	27,509	-	298	-	-	-	29,663
Investments - net	-	3,327	1,384	2,038	-	436	-	7,185
Loans to customers	1,079	20,022	49,074	128,518	29,170	-	6,906	234,769
	<u>4,035</u>	<u>50,858</u>	<u>50,458</u>	<u>130,854</u>	<u>29,170</u>	<u>436</u>	<u>6,906</u>	<u>272,717</u>
Financial liabilities								
Deposits	55,130	78,028	25,388	500	-	-	-	159,046
Interbank and money market items	1,381	1,435	4,456	21	2,671	-	-	9,964
Liabilities payable on demand	356	-	-	-	-	-	-	356
Derivatives liabilities	-	-	-	42	-	-	-	42
Debts issued and borrowings	37	29,365	15,894	15,680	6,643	-	-	67,619
	<u>56,904</u>	<u>108,828</u>	<u>45,738</u>	<u>16,243</u>	<u>9,314</u>	<u>-</u>	<u>-</u>	<u>237,027</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	1	7	434	26	-	639	-	1,107
Other commitments	-	-	9,756	4,808	-	30	-	14,594

3.37.4 Foreign exchange risk

As at 31 December 2016 and 2015, the Bank had no financial position in foreign currency.

3.37.5 Derivatives

The Bank has a policy to enter into transactions involving financial derivatives instruments for hedging risks and trading.

As at 31 December 2016 and 2015, the Bank has the following trading financial derivatives instruments.

Interest rate swap agreement

The Bank entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets as follows:

(Unit: Million Baht)

As at 31 December 2016		
Maturity	Notional amount	Fair value gain (loss)
2019	1,200	(34)

(Unit: Million Baht)

As at 31 December 2015		
Maturity	Notional amount	Fair value gain (loss)
2019	1,200	(42)

3.37.6 Fair value of financial instruments

The estimated fair value of financial instruments, in comparison with the related amounts carried in the statement of financial position is as follows:

(Unit: Million Baht)

Transactions	As at 31 December 2016			
	2016		2015	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	1,148	1,148	1,100	1,100
Interbank and money market items - net	37,062	37,062	29,663	29,663
Investments - net	5,553	5,553	7,185	8,327
Loans to customers and accrued interest receivables - net	215,753 ⁽¹⁾	218,036	229,510 ⁽¹⁾	231,032
<u>Financial liabilities</u>				
Deposits	155,951	155,951	159,046	159,046
Interbank and money market items - net	4,971	4,971	9,964	9,964
Liabilities payable on demand	180	180	356	356
Derivatives liabilities	34	34	42	42
Debt issued and borrowings	64,399	64,748	67,619	68,029

⁽¹⁾ As at 31 December 2016 and 2015, book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 1,276 million and Baht 312 million, respectively.

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book value of financial instruments is the value net of the full amount of such allowance for doubtful debt.

3.38 Fair value hierarchy

As of 31 December 2016 and 2015, the Bank has the following assets and liabilities that were measured at fair value or disclosed using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Available-for-sale investments					
Equity securities	8	8	-	-	8
Debt securities	5,119	-	5,119	-	5,119
Investment properties	31	-	-	31	31
Office condominiums	487	-	-	487	487
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	34	-	34	-	34
Assets for which fair value is disclosed					
Cash	1,148	1,148	-	-	1,148
Interbank and money market items - net	37,062	2,008	34,757	297	37,062
General investments	426	-	-	1,871	1,871
Loans to customers and accrued interest receivables	215,753 ⁽¹⁾	-	37,942	180,094	218,036
Liabilities for which fair value is disclosed					
Deposit	155,951	55,729	100,222	-	155,951
Interbank and money market items - net	4,971	604	4,367	-	4,971
Liabilities payable on demand	180	180	-	-	180
Debts issued and borrowings	64,399	-	64,748	-	64,748

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 1,276 million.

(Unit: Million Baht)

As at 31 December 2015

	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Available-for-sale investments					
Debt securities	6,749	-	6,749	-	6,749
Investment properties	31	-	-	31	31
Office condominiums	496	-	-	496	496
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	42	-	42	-	42
Assets for which fair value is disclosed					
Cash	1,100	1,100	-	-	1,100
Interbank and money market items - net	29,663	1,857	27,509	297	29,663
General investments	436	-	-	1,578	1,578
Loans to customers and accrued interest receivables	229,510 ⁽¹⁾	-	37,084	193,948	231,032
Liabilities for which fair value is disclosed					
Deposit	159,046	51,517	107,529	-	159,046
Interbank and money market items - net	9,964	605	9,359	-	9,964
Liabilities payable on demand	356	356	-	-	356
Debts issued and borrowings	67,619	-	68,029	-	68,029

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 312 million.

Sensitivity to changes in unobservable inputs for non-financial assets

The Bank has hired an appraiser licensed by the Securities and Exchange Commission, who used the Income Approach to calculate the fair value of investment properties and office condominiums. Under this approach the free cash flows that the Bank expects to receive annually are discounted using rates that take into account borrowing rates and various risk factors.

The significant unobservable inputs used in the fair value measurement of investment properties and office condominiums are the growth rate of rental income and discount rate. The growth rate of rental income and discount rate used as inputs are 5% and 9%, respectively. Significant decreases in growth rates of rental income or increases in discount rates, in isolation, would result in a significantly lower fair value measurement of investment properties and office condominiums.

During the current year, there were no transfers within the fair value hierarchy.

4. Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share (Baht per share)	Ordinary share (Baht per share)		
Interim dividends for 2015	The 6/2015 Meeting of the Board of Directors on 18 December 2015	1.20	1.20	1,106	Januray 2016
Total dividend payment in year 2015				<u>1,106</u>	
Interim dividends for 2016	The 7/2016 Meeting of the Board of Directors on 9 December 2016	2.20	2.20	2,027	January 2017
Total dividend payment in year 2016				<u>2,027</u>	

5. Significant event during the year

Acquisition of retail business

On 22 December 2016, the Bank and All-Way Co., Ltd. (which are subsidiaries of TISCO Group) agreed to purchase retail banking business from Standard Chartered Bank (Thai) Plc. and entered into a business acquisition agreement under which the Bank is the transferee of the personal lending business, mortgage business, retail banking business, wealth-management and individual deposits business while All-Way is the transferee of the credit card business. The transfer is expected to be completed within 2017 after obtaining approval from the Bank of Thailand and the shareholders of the transferor and transferees.

The financial statements of the Bank as at 31 December 2016 does not include the business acquisition transactions.

6. Approval of interim financial statements

These financial statements were approved by the Bank's Audit Committee on 9 February 2017.